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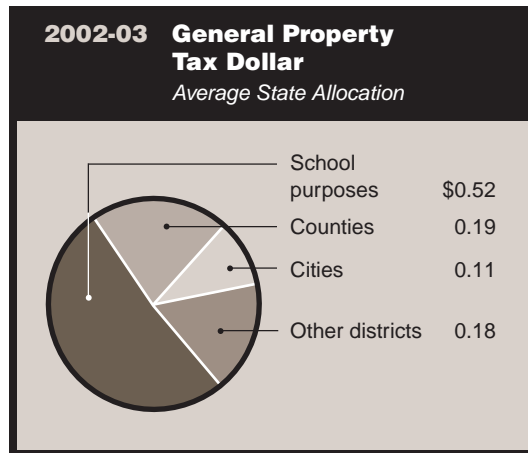
## PROPERTY TAXES

### Revenues

California property tax levies for fiscal year 2002-03 totaled \$29.35 billion, an increase of 8.1 percent from the previous year's total of \$27.16 billion. County-assessed property values increased \$198 billion during 2002-03 to reach \$2.89 trillion for the 2003-04 tax year.

In May 2003, the Board set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$69.25 billion for the 2003-04 roll. This was a \$4.07 billion increase from 2002-03 values. State-assessed properties will produce an estimated \$762 million in local property tax revenues for the state's 58 counties in 2003-04.

For detailed property tax information, please see the [Appendix, pages A-4 through A-22](#).



## Programs

Under its Constitutional mandate, the Board of Equalization oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 12 million properties each year. In addition, the Board assesses the property of regulated railroads and specified public utilities, and assesses and collects the private railroad car tax and timber yield tax.

## General Property Taxes

The increase in the value of county-assessed property for the 2003-04 roll, 7.3 percent, was about the same as the previous year. Property values continued to rise despite declines in nonresidential construction, due to record high home sales, sharply increased home prices, and gains in new residential construction. Over the decade of the 1990s, county-assessed property values increased an average of 4.7 percent per year, with a low of 0.7 percent and a high of 11.9 percent.

Proposition 13, passed by California voters in 1978, limits property tax to one percent of fair market value, with limited exceptions. In

general, a county can reappraise real property at current market value only when there is a change in ownership or new construction. Otherwise, Proposition 13 limits annual increases in an individual property's value to the previous year's California Consumer Price Index for all items, up to a cap of two percent.

## State-Assessed Properties

In accordance with article XIII, section 19 of the California Constitution, the Board of Equalization assesses certain public utility and other specified properties and allocates the assessed values among the counties where the properties are physically located. Each county taxes the allocated value of state-assessed properties at the same rate as locally assessed properties.

State-assessed properties include

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties.
- Property (except franchises) owned or used by regulated railway, telegraph, or telephone companies; railroad car companies operating on railways in the state; and companies transmitting or selling gas or electricity.

## Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2003-04, the Board billed 241 car companies for taxes totaling \$6.56 million.

In its 2003-04 valuation of railroad cars, the Board applied a 74.87 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. Revenues from the private railroad car tax,

deposited in the state's General Fund, totaled \$6.42 million in fiscal year 2002-03.

Additional information on the private railroad car tax can be found in the Appendix on [pages A-21 and A-22](#) and in the [foldout chart](#) inside the back cover of this report.

### Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2002 revenues totaled \$13.74 million.

Timber harvest volume increased slightly in 2002, to 1.69 billion board feet. Lower prices caused the total value of the year's harvest to drop 21.5 percent, to \$452 million. The number of registered timber owners continued to decline. As of June 30, 2003, there were 2,128 active program registrants, compared with 2,252 timber owners registered at the

end of June 2002. Twenty timber owners paid approximately 85 percent of the tax collected in 2002.

Additional information on the timber yield tax can be found in the Appendix on [page A-20](#) and in the [foldout chart](#) inside the back cover of this report.

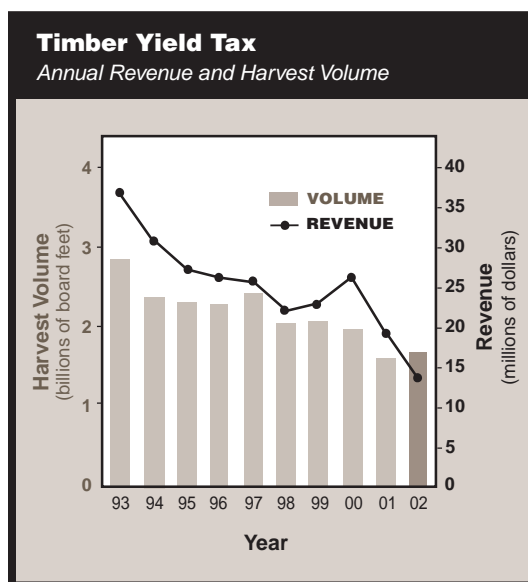
## Operations

### Assessment Policy and Standards Division

The Assessment Policy and Standards Division develops property tax assessment policies and informational materials to guide county assessors and assessment appeals boards. The Division provides technical expertise and guidance to assessors, the Legislature, and others concerned with property tax assessment matters, and ensures that the content of property tax forms is uniform throughout the state. Division staff also maintain all property tax rate area maps in California.

In 2002-03, Assessment Policy and Standards Division staff provided the following services to local governments and the public:

- Updated four sections of the Assessors' Handbook to reflect current, annually collected data: *Standard Form List* (AH 222), *Residential Building Costs* (AH 531), *Rural Building Costs* (AH 534), and *Equipment Index and Percent Good Factors* (AH 581).
- Revised various sections of the *Assessors' Handbook* to reflect statutory and regulatory changes, including AH 510, *Assessment of Taxable Possessory Interests*, and AH 504, *Assessment of Personal Property and Fixtures*.



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- Revised various publications to reflect statutory and regulatory changes, including the *Assessment Appeals Manual* and *State Assessment Manual*.
- Issued 107 advisory *Letters to Assessors*.
- Responded by telephone to more than 2,750 outside inquiries regarding property tax matters, prepared 82 written responses, and responded to 184 inquiries from users of the Board's website.
- Reviewed 5.18 million homeowners' exemption claims, revealing nearly 23,650 duplicate claims and saving \$1.65 million in state tax subvention payments to counties.
- Reviewed 14,500 welfare exemption claims involving more than 27,000 properties.
- Conducted 53 formal appraisal courses and workshops attended by more than 1,550 students.
- Sent more than 14,600 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 6,793 parcels owned by 229 legal entities.
- Continued to maintain maps of more than 10,000 revenue district boundaries that encompass 58,421 tax rate areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts.

### Valuation Division

The Valuation Division provides the elected Board Members with value indicators for state-assessed properties, described on page 14, and allocates the Board-determined value of those properties to the counties where the properties are located. The Division also audits the financial records of utility and



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transportation companies for property tax purposes and has responsibility for the valuation of private railroad cars located in California. Since 1977, Valuation Division audits have resulted in adjusted property tax assessments of more than \$10.97 billion, yielding additional property tax revenue for local governments.

### **County Property Tax Division**

The County Property Tax Division conducts periodic Assessment Practices Surveys of each county assessor's office and issues resulting reports to state and local officials. The Division also performs supplemental surveys of larger counties to determine whether the assessors have complied with recommendations made in the survey reports.

In 2002-03, the Board issued Division-prepared survey reports for the counties of Inyo, Kings, Los Angeles, Marin, Monterey, Napa, San Benito, San Diego, San Francisco, Sierra, Siskiyou, Tulare, and Ventura. Copies of the reports are found in the "Property Taxes" section of the Board's website: [www.boe.ca.gov](http://www.boe.ca.gov).

The Division also collects and administers the state's timber yield tax, described on page 15. Timber Tax Section staff gather data on timber harvest sales and develop timber harvest value schedules for consideration by the Board's Timber Advisory Committee and approval by the Board Members. They also register timber owners who harvest timber, and collect the timber yield tax.

## **Appeals**

Local assessment appeals boards hear and decide appeals of county-assessed property values. The elected Members of the Board hear and decide appeals of state-assessed property values, appeals filed under the Timber Yield Tax and Private Railroad Car Tax Laws, appeals of welfare exemption denials, and appeals made by local governments concerning assessments of properties they own outside their boundaries. For information regarding appeals filed with the Board in 2002-03, see "Appeals," on [page 47](#).

## **Significant Court Decisions**

### **Class Action Permissible for Actions Other Than Refund Claims**

A class action is permissible when the issue is not a determination of the tax, but rather whether the county must send certain notices to property owners whose applications for changed assessment were not heard timely and whose opinions of value were not enrolled as required by Revenue and Taxation Code section 1604. The assessor can issue refunds beyond the four-year claim period provided the claims for refund are filed within one year of the tax collector's notice of overpayment.

*Bunker v. County of Orange* (2002) 103 Cal.App.4<sup>th</sup> 542

### **Application of Purchase Price Presumption to Petroleum Property**

Sealed-bid auctions of petroleum properties qualify as "negotiations" for application of the purchase price presumption created by Revenue and Taxation Code section 110,

subdivision (b). In addition, Property Tax Rule 468 provides the exclusive valuation methodology for oil and gas properties and authorizes assessors to consider the value of “unproved reserves” when appraising oil and gas properties.

*Maples v. Kern County Assessment Appeals Board (Occidental of Elk Hills, Inc.)* (2002) 103 Cal.App.4th 172

### **Annual Appraisal of Proposition 8 Properties**

Under Revenue and Taxation Code section 51, subdivision (e), real property subject to a reduced assessment under Proposition 8 due to a decline in value must be reappraised annually until the current fair market value exceeds the factored base year value. It is not necessary for the assessee to file annual applications for reduced assessment.

*El Dorado Palm Springs, Ltd. v. Riverside County Board of Supervisors et al.* (2002) 104 Cal.App.4th 1262

### **Former Railroad Properties Acquired by Local Government**

Under California Constitution article XIII, section 11 (a), properties acquired by cities and located outside their boundaries are not subject to property taxation if they are not taxable when acquired. This provision applies to former railroad properties that were not taxable under the federal Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act). The Deputy State Controller acted properly in voting to adopt the written findings and decision for this appeal because the State Controller had voted on the actual appeal.

*County of Los Angeles v. State Board of Equalization* (2003) 105 Cal.App.4th 1

### **Mandatory Audit and Equalization Provisions**

A stipulated valuation methodology agreement limited to certain categories of personal property and fixtures and a subsequent assessment appeals board decision that addressed only certain categories of property does not constitute an equalization of all of the taxpayer’s property at the same business locations within the meaning of Revenue and Taxation Code section 469. The assessor may conduct a subsequent audit and the taxpayer may appeal any resulting escape assessments of property not covered by the original agreement and decision. The court’s decision validates Property Tax Rule 305.3, adopted by the Board in 2002.

*Apple Computer, Inc. v. Assessment Appeals Board (Stone)* (2003) 105 Cal.App.4th 1355

### **Failure to Hear Application Within Two Years**

When an assessment appeals board fails to hear an application for reduced assessment within the two-year statutory limit, the county assessment appeals board is required to enroll an applicant’s opinion of value under Revenue and Taxation Code section 1604, subdivision (d). The board must enroll the applicant’s opinion of value for the year of the application and for every year following until the board hears and determines the application.

*FlightSafety International, Inc. v. Los Angeles County Assessment Appeals Board* (2003) 105 Cal.App.4th 620

### **Statute of Limitations for Refund Actions**

The statute of limitations applicable to claims for property tax refunds is the six-month period set forth in Revenue and Taxation



Code section 5141, subdivision (a). That period does not begin until the board of supervisors denies the claim for refund in whole or in part.

*Geneva Towers v. City and County of San Francisco* (2003) 29 Cal.4th 769

## Legislation

### Electric Generation Facilities

For certain electric generation facilities with a generating capacity of 50 megawatts or more,

- Transfers assessment responsibility from the local county assessor to the Board of Equalization beginning January 1, 2003.
- Changes the allocation of property tax revenues derived from these facilities to the specific local tax rate area where the facility is located.

*Assembly Bill 81, Chapter 57, Statutes of 2002; effective January 1, 2003*

### Protection of Public Safety Officials' Home Information

Creates a task force of public and private sector representatives to report to the Legislature on how best to protect the home address information of public safety officials, with the report due by September 1, 2003.

*Assembly Bill 2238, Chapter 621, Statutes of 2002; effective January 1, 2003*

### Percent Good Factors

Provides that when the assessor uses the cost approach in valuing personal property or trade fixtures, that for property

- Depreciated using Board-published "percent good factors," which list separate factors for property first acquired new and first acquired used, the factors may not be

averaged unless the taxpayer does not report whether the property was new or used when acquired.

- Depreciated using a "minimum" percent good factor, the minimum factor must be determined in a supportable manner.

*Assembly Bill 2714, Chapter 299, Statutes of 2002; effective January 1, 2003*

### Access to Assessor's Records

Adds the Department of Child Support Services to the list of agencies that may have access to a county assessor's records.

*Assembly Bill 3033, Chapter 759, Statutes of 2002; effective January 1, 2003*

### Agricultural Conservation Easements

Corrects cross-reference errors related to special assessment procedures for agricultural conservation easements. Clarifies the definition of those easements by referring to the definition found in Public Resources Code section 10211 for purposes of the California Farmland Conservancy Program.

*Senate Bill 1864, Chapter 616, Statutes of 2002; effective January 1, 2003*

### Property Tax Omnibus Bill—California Assessors' Association

This bill contains California Assessors' Association sponsored provisions:

- **Welfare Exemption—Notice of Ineligibility.** Changes from March 15 to February 15 the date by which the assessor must be notified if property receiving an exemption under Revenue and Taxation Code sections 214.15 or 231 no longer qualifies for the exemption.
- **Religious Exemption—Notice of Ineligibility.** Changes from June 30 to

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February 15 the date by which the assessor must be notified if property receiving the religious exemption no longer qualifies for the exemption.

- **Subdivision Digital Maps.** Authorizes a county board of supervisors to adopt an ordinance requiring that when a subdivision map is recorded in digital form, a digital copy must be filed with the assessor.
- **Record Retention.** Requires first-time welfare exemption, religious exemption, and disabled veterans' exemption claims to be retained until the property is no longer receiving the exemption.

*Senate Bill 2086, Chapter 214, Statutes of 2002; effective January 1, 2003*

### **Board-Sponsored Technical and Housekeeping Measure**

#### **Low-Income Housing Owned by Indian Tribes**

Provides additional administrative provisions for the Indian Tribal Owned Low-Income Housing exemption to require filing of an annual claim, allow a partial exemption for claims filed late, and allow the exemption on property acquired after the lien date.

#### **Supplemental Assessments**

Allows the assessor to cancel supplemental assessments up to \$50, an increase from the former \$20 limit.



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### Disabled Veterans' Exemption

- Corrects cross-references to the appropriate statute of limitations on refunds and cancellations.
- Allows additional time to file an exemption claim when a qualifying disability rating is received near the lien date.
- Extends the exemption to property owned, but not resided in, on the lien date.
- Provides that an escape assessment will be issued for a mid-year termination of the exemption.

### Manufactured Homes

- Clarifies that supplemental assessments are not issued when an owner converts from the vehicle license fee to the property tax.
- Clarifies that supplemental assessments are issued when a change in ownership or new construction occurs.
- Adds the Board's *Manufactured Home Cost Handbook* and corrects the names of various publications acceptable for use in valuing manufactured homes.
- Deletes obsolete language related to property tax conversion because of vehicle license fee delinquency.
- Substitutes the term "manufactured home" for "mobilehome" in various sections of law.

### Base Year Value Transfers

For transfers before March 24, 1999, allows taxpayers to qualify for base year value transfers under Revenue and Taxation Code section 69.5 for homes destroyed in a disaster, even if the government did not issue a disaster declaration.

### Mobilehome Parks—Base Year Value Transfers

- Specifies that "land owned by a claimant" includes a prorated interest in a resident-owned mobilehome park.
- Extends the claim filing period to allow prospective relief for resident-owned mobilehome parks reassessed due to a prorated change in ownership that had previously escaped assessment.

### E-Filing Business Property Statements

Authorizes electronic filing of property statements.

### Parent-Child Change in Ownership Exclusion

Reinstates the parental or executor signature requirement deleted in the prior legislative year.

### Assessment Appeal Deadline

- Deletes obsolete code references in various sections of law to the prior, statewide uniform county assessment appeal deadline of September 15.
- Clarifies that each county will have a final filing date of either September 15 or November 30 for all property (real and personal) on either roll (secured or unsecured), depending on whether the county mailed value notices to taxpayers for real property on the secured roll.
- Clarifies that publication of values in a newspaper does not suffice as notice to the taxpayer.
- Requires assessors who intend to mail value notices to taxpayers by August 1 to notify

the clerk of the assessment appeals board and the tax collector by April 1.

- Requires the clerk of the assessment appeals board to notify the Board of Equalization of the county's assessment appeals deadline.
- Requires the Board to maintain a statewide list of assessment appeal filing deadlines, by county.

#### Escape Assessments—Low-Value Exemption

Permits a board of supervisors to adopt an ordinance to exempt escape assessments of up to \$50 if assessment and collection costs would exceed the tax due.

*Senate Bill 1184, Chapter 613, Statutes of 2002; effective January 1, 2003*

## Regulations

### Appraiser Certification

Rule 281, *"Appraiser" Defined*, was amended to specify which individuals fall under the definition of "appraiser" for appraiser certification. This amendment also updates the rule by adding a reference to article XIII A of the California Constitution (Proposition 13) to specify that appraisers qualifying for certification may value property for purposes of article XIII A as well as article XIII.

*Title 18, California Code of Regulations, section 281; effective June 27, 2003*

Rule 282, *Temporary Certification*, was amended to recognize the need for temporary certification of appraisers employed by appraisal commissions and for temporary certification of assessors under Revenue and Taxation Code section 673.

*Title 18, California Code of Regulations, section 282; effective June 27, 2003*

Rule 283, *Permanent Certification*, was amended to specify the relevant experience requirements for appraisers seeking certification. The amendment adds additional job classifications as "qualifying" experience for an appraiser and clarifies how the experience of nonappraiser employees of assessors' offices and the Board may be counted as "relevant experience" toward meeting the four-year experience requirement.

*Title 18, California Code of Regulations, section 283; effective June 27, 2003*

Rule 284, *Retention and Revocation of Appraiser Certificate*, was adopted to specify when and how the Board of Equalization would proceed with a formal hearing to revoke an appraiser's certificate. The rule also addresses reporting and carryover of required appraiser training hours and describes how an individual can cure a training requirement deficiency.

*Title 18, California Code of Regulations, section 284; effective June 27, 2003*